

### **Texas Brine Company, LLC Daily Update – 2/13/13**

Fifth Amendment to the Declaration of Emergency and Directive dated 12/7/12 and Amended Fifth Amendment issued on 1/14/13

Per the requirement in the Fifth Amendment, the daily update on progress in implementing all Directives is provided below:

1. Directive 1:
  - a. The temporary geophone installed on 12/14/12 continues to work and generate data which is being reported as required. The work plan required by the Directive was submitted on 12/15/12 with additional information being provided on 12/19/12 in response to DNR's follow up question.
  - b. The vibro-seismic study at the TBC facility with U. of Houston's mini-vibe unit area seismic activity has been completed; The U. of Texas' "T-Rex" vibe truck work is also completed; the temporary geophone array was reinstalled in the 480' geophone well on 1/19/13.
  - c. A permanent geophone plan was submitted to DNR by MEQ on 1/4/13. DNR has approved the permanent geophone array design and it is on order. The installation began 02/11/13 and is expected to be complete later this week.
2. Directive 2a-e (Amended Fifth Amendment): Given DNR's issuance of an amended Fifth Amendment on 1/14/13, the requirements of this Directive have changed. TBC has work underway to address the requirements of Directive 2 a-e.
  - a. 3D seismic planning continues; Land access approval work and field surveying is underway. Survey and drilling work began 02/08/13 and is approximately 27% (Survey) and 5% (Drilling) completed to date; Landowner access approval remains a concern.
  - b. OG 1 hanging strings were removed on 1/12/13 & 1/13/13; A cement bond log (CBL) and variable density log (VDL) were completed on 1/15/13; The design of the temporary geophone has been approved by DNR, Shaw, and Itasca and is scheduled to be installed the week of 2/11/13; The design of the permanent down-hole geophone will follow.
  - c. Approval of the EUA from Office of Coastal Management (OCM) was received on 1/15/13 to allow work to upgrade and raise the Rig Road as needed for multiple reasons; Construction of the location for G-03 (1000' geophone well) continues; Conductor casing was installed on 1/31/13; The 13-3/8" casing was cemented in on 2/6/13; Drilling and coring of the well continues with a current depth of approximately 1017 feet. Drilling is scheduled to be complete by week's end.
  - d. Modifications to the pressure monitoring systems for OG 1, OG 2, OT 9, and OT 10 brine wells have been made and cavern pressures were reported to DNR and AP OEP starting 1/15/13 and will continue.
  - e. OG 2-VSP was completed on 1/14/13 and is being analyzed; The sonar survey was conducted on this well on 1/10/13; A CBL was done on this well on 1/15/13; The work-over on this well has been completed; OCC and DNR agreed to return the well to service which was done on 1/25/13.
3. Directive 3:
  - a. TBC and its consultant submitted the work plan for the additional MRAA monitor wells on 12/28/12; Comments were received from DNR on 1/5/13 and are being reviewed. A revised work plan was

submitted on 1/10/13. DNR responded with comments on Installation of the additional monitor wells on 1/12/13.

- b. Installation of the MRAA 03 D&M wells began on 1/14/13 and for location MRAA 01 D&M wells on 1/16/13; MRAA 03 was plugged on 1/21/13 as a result the changes on OG 3 well pad on 1/18/13 and 1/19/13; An engineering assessment on the stability of the OG 3 well pad is being done and we are awaiting the results; Work continues on MRAA 01 D&M wells and they are now ready to be sampled; Analysis of drilling logs and core samples is underway to assist in determining the depth to set MRAA 02 D&M casing/screens and future location of MRAA 03 will be scheduled in the near future; DNR granted a 30 day extension of the 1/31/13 deadline in Directive 3 because of these conditions.

4. Directive 4:

- a. TBC and consultants submitted a work plan required by this Directive on 12/28/12.
- b. The VSP on OG 3A was completed on 1/12/13; The VSP on OG 1 was completed on 1/16/13; Results from both are being analyzed; VSProwess continues to work on this on an expedited basis and expects to have some preliminary results next week; A update conference call on the status of this work was held on 2/5/13.

5. Directive 5:

- a. TBC submitted the first daily report on 12/12/12 for OG 1 pressure monitoring as required. These will be submitted daily going forward

6. Directive 6:

- a. TBC submitted the first daily report on 12/12/12 for OG 2 pressure monitoring as required. These will be submitted daily going forward.

7. Directive 7:

- a. The professional engineer's report was submitted 02/06/2013.

B.E. Martin

VP Operations

Texas Brine Company, LLC